

**Social Security Administration:  
Social Security Tax Payments and Benefit Receipts**

*This project identifies how much each cohort of workers and retirees, past and projected, has paid or will pay in Social Security taxes, and how much each cohort has received or will receive in benefits under present law and alternative reform proposals.*

**Lead Agency:**

Social Security Administration

**Agency Mission:**

To advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

**Principal Investigator:**

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**General Description:**

This project develops a comprehensive accounting of Social Security tax payments and benefit receipts across and within birth cohorts and identifies the implications of these payments for Social Security reform. The first part of the project developed all historical tax payments and benefit receipts by race, gender, and year of birth under the Old-Age and Survivors Insurance (OASI) program, under the Disability Insurance (DI) program, and under these combined programs (OASDI). These estimates allow the identification of historical redistribution under these programs across these race, gender, and generation groups, and the extent to which each of these groups received their "money's worth" from the programs. Although aggregate tax and benefit payments by year are readily available, the breakdown into payments by year, age, race, and gender – requirements for cohort, money's worth, and redistributive accounting – is not. This project draws on a variety of administrative data sources, some readily available in electronic format but others available only in hard copy publications, and develops techniques to allocate the taxes and benefits to the appropriate race, gender, and age group each year from these disparate data sources.

The second part of the project develops cohort accounting estimates of lifetime money's worth and redistributive outcomes under the OASI program for all past, present, and future birth cohorts affected by the program through the cohort born in 2100. These estimates combine,

(1) the comprehensive and authoritative accounting of historical OASI taxes and benefits developed in the first part of the project with (2) projected taxes and benefits by birth cohort that are consistent with recent Trustees Reports. Cohort accounting estimates are also developed under alternative tax increase and benefit award reduction policies that bring the program into long-run financial balance over the Trustees Report projection

period and beyond. Cohort accounting estimates are developed both from the perspective of cohort members, indicating the extent to which each birth cohort has received or can expect to receive their “money’s worth” from the program, and from the perspective of the Social Security program, indicating the extent of redistribution across these cohorts under present law and alternative reform proposals.

- Excellence:*** What makes this project exceptional?
- Significance:*** How is this research relevant to older persons, populations and/or an aging society?
- Effectiveness:*** What is the impact and/or application of this research to older persons?
- Innovativeness:*** Why is this research exciting or newsworthy?

The data developed for this project represent more comprehensive and authoritative measures of historical taxes and benefits under the Social Security program than previously had been available. Previous analyses were based on less definitive estimates, resulting in less accurate and often misleading descriptions of Social Security program outcomes for specific race, gender, and birth cohort groups. An accurate accounting of such outcomes is crucial to understanding how the program has worked, its effects on groups of policy interest, and how various reform proposals could affect those outcomes. The projection of lifetime outcomes by birth cohort developed in the second phase of the project extend these results for past, present, and future cohorts consistent with recent Trustees Report projections under present law and alternative reform proposals.

Such authoritative projections are central to informing the current policy debate. The historical and projected data, and the associated money’s worth and redistributive estimates developed under this project, have been cited frequently by the policy and research communities, as well as the popular press, as part of the current debate, and have made significant contributions to informing policy and advancing research by: (1) identifying the money’s worth and redistributive effects of Social Security programs in the past, (2) illustrating the OASI program’s potential effects in the future under alternative reform proposals, and (3) developing empirical and analytical approaches relevant to redistributive and money’s worth analyses.

Social Security is one of the most wide-reaching government programs and is obviously crucial to the well-being of the aged and to many economically vulnerable population groups. Consequently, an accurate understanding of the past effects of the program on groups of policy interest and projections of how those effects could change under alternative reform proposals is of utmost importance to the aged and to the economically vulnerable groups affected by Social Security programs. This project has made significant contributions in understanding and projecting those effects and, more generally, helping advance related research.

